

**Butler, Pennsylvania
Health Care Center (HCC) Lease**

This proposal provides for a new outpatient clinic lease in Butler, PA, to replace the current VAMC.

I. Budget Authority

<u>Lease Through</u>	<u>2010 Request</u>	<u>2010 Auth. Request</u>	<u>Unserviced Annual Rent</u>
2032	\$16,482,000	\$16,482,000	\$6,582,000

II. Description of Lease

This project will relocate outpatient services from the current Butler VA Medical Center (VAMC) to a leased build-to-suit Health Care Center (HCC) in the vicinity of Butler, PA. The new HCC will expand Butler's outpatient space to approximately 180,000 net usable square feet (NUSF) to meet increased veteran demand. This clinic will serve veterans from the counties of Beaver, Armstrong, Butler, Clarion, Forest, Venango, Lawrence and Mercer. This project will allow VA to continue to provide timely access to state-of-the-art primary care, specialty care, mental health and ancillary diagnostic services in a properly sized facility to meet increased workload.

Approval of this prospectus will constitute authority for up to 20 years of leasing including the initial term, and any renewal options, as necessary, prior to the completion of the proposed lease.

III. Priorities/Deficiencies Addressed

This lease is designed to address quality, access and capacity for Primary Care, Specialty Care, Dental, Laboratory and Pathology, Radiology, Mental Health, and Ancillary and Diagnostic Services. The buildings in which treatment programs currently reside require renovation and significant expansion. By consolidating services in a single building, VA will be able to ensure that patient intake is handled quickly, professionally and privately, and that veterans' health care needs are fully met. A new facility will enhance the care provided to current veterans and provide proper infrastructure for future veteran care in Butler.

The new HCC will benefit the Butler veteran population in many ways. The efficiency of services provided will be enhanced by the collocation of all clinical categories, such as primary care, mental health and specialty care, in one central building. By expanding the available clinical space to meet projected increases in patient workload, quality of life for veterans will also improve due to reduced wait times. Adding space for both individual and group therapy visits will allow for significant expansion of mental health programs. Increasing the number of

services provided, particularly specialty care services, will increase veterans' geographic access to care and thereby improve the quality of life for rural veterans who previously had to drive approximately 60 minutes to Pittsburgh to access these services. The new facility will also provide adequate parking.

This project will allow VA Butler Healthcare to meet this growing workload, while also increasing its focus on long-term care. The HCC will have the capacity to serve more veterans (3,000 more unique veterans), accommodate the expected increase in clinic stops (projected to increase by 81 percent in Ambulatory Care Stops and increase by 151 percent in Mental Health Stops in the next 20 years) and increase panel provider size by 10 percent.

IV. Alternatives to Lease Considered

Alternative 1 - Status Quo: This alternative assumes that the present physical space housing outpatient services at the Butler VAMC would continue to be used for outpatient care with general maintenance only. With this alternative, outpatient services would continue to be located in three separate buildings, maintaining existing inefficiencies and costly operational expenses.

Alternative 2 - Lease (Preferred Alternative): This option assumes the lease of a new, state-of-the-art HCC of approximately 180,000 NUSF. All VA Butler healthcare services, with the exception of the domiciliary and Community Living Center, will relocate to the HCC. It will provide infrastructure that supports the increased integration of outpatient services, coordination of care, provider productivity, efficiency, patient satisfaction, compliance with clinical guidelines, access and safety/security. This alternative solves VA Butler Healthcare's current space constraints cost effectively without requiring major up-front capital investment.

Alternative 3 - New Construction: This alternative assumes the construction of a new, free-standing comprehensive outpatient facility of approximately 180,000 NUSF. This option would consolidate all outpatient services in a modern outpatient facility. It would provide an infrastructure that supports the increased integration of outpatient services, coordination of care, provider productivity, efficiency, patient satisfaction, compliance with clinical guidelines, access and safety/security. Flexibility to expand/contract services and/or change location depending on workload demand would be difficult under this alternative.

Alternative 4 - Contract out: This alternative assumes the outsourcing of all outpatient care to the community. This alternative is not viable because the Butler community does not have sufficient capacity to support the veteran workload. This alternative is also the least cost effective alternative.

V. Demographic Data*

	<u>2007</u>	<u>2015</u>	<u>2025</u>	<u>Change</u> <u>2007-2025</u>
Veteran population	487,868	356,166	364,287	-25%
Enrollees	182,025	168,749	141,724	-22%
Ambulatory Stops	73,692	116,732	133,726	81%
Mental Health Stops	25,958	47,102	59,316	129%

*Data for Western market and Butler catchment area

VI. Schedule

Award leases	August 2010
Complete construction	May 2012
Activation/Occupancy	June 2012

VII. Project Cost Summary

Estimated Annual Cost	\$6,582,000
Proposed Rental Rate*	\$36.57/NUSF
Proposed Lease Authority	20 Years
Net Usable Square Feet	180,000 NUSF
Parking Spaces*	1,035
Special Purpose Related Improvements**	\$9,900,000

*Estimate based on 2009 rates, and may be escalated by 4% annually to the effective date of the lease to account for inflation.

**Lump sum payment to Lessor to upgrade space for special administrative or medical use; not included in rent.

VA Lease Summaries:

1. Rochester, NY - Outpatient Clinic Lease

The new Community Based Outpatient Clinic (CBOC) will accommodate 84,000 net usable square feet (nurf)/113,400 rentable square feet (rsf) with approximately 672 parking spaces. The annual unserviced rent is estimated at \$4,611,000. The Outpatient Clinic will provide primary care, women's health care, Operation Enduring Freedom/Operation Iraqi Freedom programs, mental health programs, homeless outreach, home-based primary care, surgical specialties, ambulatory surgery, endoscopy, geriatric care, dental clinic, laboratory, pathology, radiology, ancillary services and compensation and pension services.

Delineated area - Properties must be located within the delineated area within the following boundaries:

North: Elmwood Avenue

South: Erie Station Road/E Henrietta Road/Goodburlet Road/Pinnacle Road/Reeves Road

East: Clover Street

West: W Henrietta Street

2. Mobile, AL - Outpatient Clinic Lease

The new Community Based Outpatient Clinic (CBOC) will accommodate 65,125 net usable square (nurf) feet/87,919 rentable square feet (rsf) with approximately 521 parking spaces. The annual unserviced rent is estimated at \$2,984,000. The lease will provide for administrative and clinic space consistent with VA CBOC requirements. Space will be allocated to the following general areas: audiology and speech pathology, care coordination home telehealth (CCHT), canteen, clinic administration, education, environmental management, eye clinic, home based primary care (HBPC), lab, medical administration, mental health, nursing, patient advocacy, pharmacy, primary care, radiology, surgical specialty clinics, and women's health.

Delineated area - Properties must be located within the delineated area within the following boundaries:

North: Moffett Road

South: County Road 30 (Theodore Dawes Rd) and 26 (Hamilton Blvd)

East: County Road 163(Dauphin Island Parkway) to Government Blvd to Houston St

West: County Road 31 (Schillinger Road)

3. Springfield, MO - Outpatient Clinic

The new Community Based Outpatient Clinic (CBOC) will accommodate 68,000 net usable square feet (nurf)/91,8000 rentable square feet (rsf) with approximately 544

parking spaces. The estimated annual unserviced rent is \$2,749,000. The new clinic will relocate and expand the existing 41,000 nusf Gene Taylor Community Based Outpatient Clinic from Mount Vernon, Missouri, where it currently serves over 17,000 unique Veterans. The new CBOC will continue to provide primary and specialty care, mental health and ancillary services. The new clinic will also provide sleep studies, radiology, Magnetic Resonance Imaging (MRI), laboratory, and dental services.

Delineated area - Properties must be located within the delineated area within the following boundaries:

North: Sunshine Street
South: US Highway 60 (properties located up to ½ mile South of US 60 will be considered within the boundary)
East: US Highway 65
West: US Highway 160

4. South Bend, IN - Outpatient Clinic Lease

The new Community Based Outpatient Clinic (CBOC) will accommodate 71,403 net usable square feet (nusf)/96,394 rentable square feet (rsf). The estimated annual unserviced rent is \$3,466,515. This CBOC will replace and expand South Bend's outpatient services to meet increasing Veteran demand, and will include following medical services: primary care; women's health care; home-based primary care; nutrition; audiology; tele-eye care and optometry; urology; cardiology; dermatology; physical therapy; podiatry; pulmonary function; some ambulatory procedures such as colonoscopies, sigmoidoscopies, endoscopies, and other minor procedures; ancillary services – laboratory, pharmacy, basic radiology, and prosthetic dispensing; and Compensation & Physical (C&P) exams.

The South Bend lease was authorized by Public Law 112-37 in an amount not to exceed \$6,731,000. The lease increased from 39,000 nusf to 71,403 nusf from the time the prospectus was submitted and when the lease was authorized.

Delineated area - Properties must be located within the delineated area within the following boundaries:

North: Indiana state border
East: Ash Road north extended to Ash Road
South: Tyler Road/North County Line Road to County Line Road to Tyler Road extended to Ash Road
West: North 900 East east on Route 2/Western Avenue south on Larrison Boulevard/Strawberry Road west on East 50 North/Johnson Road south on County Highway 1100 East extended to Willow Road extended to Willow Road to Adams Street east on Roosevelt Road northeast on Legion Drive southeast on Harrison Street north on Route 23/Liberty Street until Tyler Road/North County Line Road

5. San Jose, CA - Outpatient Clinic Lease

The new Community Base Outpatient Clinic (CBOC) will accommodate 72,000 net usable square feet (nurf)/97,200 rentable square feet (rsf) with approximately 572 parking spaces. The estimated annual unserviced rent is \$5,586,000. This project will replace the existing 72,000 nurf CBOC in San Jose, CA. The CBOC will provide primary care, mental health and specialty care, to include audiology, podiatry and optometry. The clinic will also provide ancillary and diagnostic services, to include general x-ray, laboratory, pharmacy and telehealth.

Delineated area - Properties must be located within the delineated area within the following boundaries:

North: Route 87 (Guadalupe Parkway) to Charcot Avenue
East: I-880 to Highway 101 to Bernal Road
South: Route 85 to Cottle Road to Santa Teresa Boulevard to Highway 101
West: Route 17 to I-880 to Route 87 (Guadalupe Parkway)

6. Butler, PA - Health Care Center (HCC) Lease

The new Health Care Center (HCC) will accommodate 168,000 net usable square feet (nurf)/226,800 rentable square feet (rsf) with approximately 1,035 parking spaces. The estimated annual unserviced rent is \$6,582,000. This project will relocate outpatient services from the current Butler VA Medical Center (VAMC) to a leased build-to-suit HCC in the vicinity of Butler, PA. The new HCC will expand Butler's outpatient space to approximately 168,000 nurf to meet increased Veteran demand. This clinic will serve Veterans from the counties of Armstrong, Butler, Clarion, Lawrence and Mercer. This project will allow VA to continue to provide timely access to state-of-the-art primary care, specialty care, mental health and ancillary diagnostic services in a properly sized facility to meet increased workload.

Delineated area - The proposed site must be within a five (5) mile radius of Eagle Mill Road and Benjamin Franklin Highway (422)